

**BILL #** HB 2587

**TITLE:** tax credits; technology training

**SPONSOR:** Reagan

**STATUS:** House Engrossed

**REQUESTED BY:** Senate

**PREPARED BY:** John Malloy

## **FISCAL ANALYSIS**

### **Description**

This bill modifies the administration and eligibility requirements of the technology training tax credit. Employers currently receive an income tax credit for their cost of providing technology training to their employees. HB 2587 would add state-certified programs to the list of training programs that would qualify under the credit. Currently, only programs from an accredited college, university, private career school or other post-secondary institution qualify for the credit. The bill also eliminates the provision that the Department of Commerce proportionately reduce the amount of the credit if qualifying applications exceed the statutory cap (\$2.5 million for individuals and \$2.5 million for corporations). The bill does not change the cap amount.

As required by statute, qualified training must be for information technology (IT) related programs, which provide training for skills that the Department of Commerce determines are in short supply and critical to the economic development of the state.

### **Estimated Impact**

This bill would reduce corporate and individual income tax revenue to the General Fund based on increased usage of the existing technology training tax credit. Based on current credit utilization of \$50,000, the bill could reduce state General Fund revenues by up to \$4.9 million. The exact cost, however, cannot be determined because we cannot predict the number of individuals or corporations that would apply for the credit because of the bill.

The Department of Commerce estimates a cost of \$4.9 million due to taxpayers utilizing the full credit amount.

### **Analysis**

Current statute places a cap of \$5.0 million (\$2.5 million corporate and \$2.5 million individual) on the technology training credit. The maximum level of the credit claimed in any given year has been \$50,000. According to the Department of Commerce, the credit is not utilized because technology skills training programs must be from an accredited college, university, private career school or other post-secondary educational institution. According to Commerce, the majority of technology training programs are not accredited, but rather state certified. As a result, training from these institutions currently does not qualify for the credit.

The Arizona State Board for Private Post-Secondary Education indicates that approximately 90 institutions are licensed and not accredited. Of that total, approximately 10 are IT related schools. The bill would potentially allow training provided by these 10 IT related schools to qualify for the credit. The Department of Commerce would determine which training programs qualify for the credit. Expanding the application of the credits to these training programs would increase credit usage, which would result in reduced General Fund revenues.

The bill would also eliminate the proportionality provision. To date, the Department of Commerce has not had to apply the proportionality provision, as credit utilization has not exceeded \$50,000. As a result, we do not anticipate that changing this provision will impact state revenues.

### **Local Government Impact**

None